

Anta Sports (2020 HK)

All eyes on 4Q24E for the room of re-rating

Even though Anta results were a miss in 3Q24, thanks to robust performance during the 10-1 National Day holidays and rollout of many government stimulus, we are positive about its 4Q24E outlook. We are still cautious about its FY24E sales growth but remain confident on the net profit margin. Maintain BUY and raise TP to HK\$ 126.68, based on 23x FY25E P/E (revised up from 20x).

■ **The Company has not revised down the FY24E sales growth guidance but we are more conservative now.** Even though the 3Q24 performance was disappointing, we still expect their retail sales growth to turn around in 4Q24E (CMBI est. 16%/ 10% for Anta/ FILA), supported by the strong growth during the 10-1 National Day holidays (CMBI est. 20% growth was achieved even with a high base for both Anta/ FILA); and we believe high-end segment may benefit more under the context of increasing monetary and fiscal stimulus. We are relatively more confident about the Anta brand, as its reforms have been successful, because: 1) Kyrie Irving products have been hot selling and sales volume may climb further as more supplies to come online in 2H24E, 2) more star products have been created (cut down the number of SKUs and sell more value-for-money products such as the running shoes PG7), 3) customer base has been enlarged by rolling out various store formats (e.g. Anta Champion stores for the middle-income group, Super Anta for those who are sensitive to the price-to-quality ratio), as well as 4) overseas expansion, with Kyrie Irving products to be placed in the sales channel of Foot Locker and Dick's Sporting Goods in the US and EU. Therefore, in our view, Anta should continue to yield faster growth onwards in 4Q24E and FY25E. There are some growth drivers also for FILA, like: 1) speed-up in store revamps (esp. in the core shopping malls), 2) new product series launches (such as the FILA+ series) and 3) increased efforts to acquire more young customers. However, due to the major miss in 3Q24, we are still very cautious about its outlook in 4Q24E. We are now forecasting a HSD/ MSD retail sales growth for Anta/ FILA in FY24E (vs the Company's guidance of 10%+/ HSD).

■ **Maintain BUY and raise TP to HK\$ 126.68**, based on 23x FY25E P/E (re-rated from 20x), supported by the improved consumer and investor sentiment. We have raised the FY24E/ 25E/ 26E net profit by 5%/ 2%/ 1%, in order to factor in: 1) the miss in sales growth but 2) better cost control. The stock is trading at 18x FY25E P/E, not demanding in our view compared to its 5-year average of 25x.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	53,651	62,356	69,483	77,930	86,144
YoY growth (%)	8.8	16.2	11.4	12.2	10.5
Operating profit (RMB mn)	11,229.0	15,409.0	16,450.8	18,808.0	21,664.9
Net profit (RMB mn)	8,245.0	11,277.0	14,198.8	15,176.2	17,652.8
EPS (Reported) (RMB)	2.71	3.65	4.60	4.92	5.72
YoY growth (%)	(2.0)	34.7	25.9	6.9	16.3
P/E (x)	33.5	24.9	19.8	18.5	15.9
P/B (x)	7.2	4.8	4.2	3.7	3.2
Yield (%)	1.3	2.1	2.1	2.5	2.9
ROE (%)	26.0	26.3	25.7	24.0	24.5
Net gearing (%)	43.5	42.2	48.3	54.7	60.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$126.68
(Previous TP)	HK\$107.84)
Up/Downside	26.6%
Current Price	HK\$100.10

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	270,603.2
Avg 3 mths t/o (HK\$ mn)	957.3
52w High/Low (HK\$)	106.30/64.15
Total Issued Shares (mn)	2703.3

Source: FactSet

Shareholding Structure

Mr. Ding Shi zhong & Family	52.2%
The Vanguard Group	1.7%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	42.2%	14.5%
3-mth	39.4%	17.0%
6-mth	14.6%	-7.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Margin-wise, it should still be stable and unaffected by the operating deleverage.** Despite the miss in sales growth, we do expect the margins in FY24E to stay healthy, because: 1) the GP margin should be quite resilient, as Anta has no pressure to provide more retail discounts (even though Nike/Adidas are providing aggressive discounts to clear its distributors' inventory); 2) the SSSG for Anta was still at least flattish or positive in 3Q24 while the retail sales growth was slower due to closures of those non-performing stores; 3) A&P expenses were revised down by the company according to the actual sales completion (amount of sponsorships for 2024 Olympics was lower vs the 2021 Olympics and the 2022 Winter Olympics); 4) rental contracts and expenses were refined actively (another RMB 100mn or more rents could be saved in FY24E vs last year); and 5) other brands' sales growth was still much faster than the group's and that part could drive the profit margin higher.
- **3Q24 retail sales growth fell short of our expectation.** In 3Q24, Anta's retail sales growth was at MSD, similar to the MSD in 1H24, but missed CMBI est. of HSD, mainly due to the weak macro environment (boost from the Olympic events was limited), bad weather (e.g. many rainy days and typhoons), and slow growth in the basketball segment. In fact, the performance of Kyrie Irving product series and new format stores was great. On the other hand, FILA's retail sales dropped by a LSD, a severe slowdown vs HSD growth in 1H24 and also missed CMBI est. of MSD growth, because the high-end fashion and kids' wear segments, and higher-tier cities have all been hit hard under a weak macro and consumption trade-down environment. In terms of channels, online sales growth was resilient for the Anta brand while its offline sales growth slowed down QoQ, while both online and offline sales growth for the FILA brand worsened. Other brands were much more stable with retail sales growth of 45%-50% in 3Q24, driven mostly by: 1) its niche and fast-growing outdoor segment, 2) continual improvements in its brand equity and product quality and 3) rapid store expansion (esp. for Kolon as it has added many more SKUs for the stores in the southern region).
- **Retail discounts remained strong and inventory days stayed fairly healthy.** In contrast to its retail sales growth, the retail discounts of all brands improved healthily. Online/ offline retail discounts improved YoY/ stayed flattish for the Anta brand, while both online/ offline of that were flattish for the FILA brand, and those for other brands (Kolon and Descente) all improved YoY. Anta/ FILA's inventory to sales ratio was reported to be at around 4.5x-5 months/ about 5months.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	69,483	77,930	86,144	70,322	78,322	87,103	-1.2%	-0.5%	-1.1%
Gross profit	43,694	49,191	54,558	44,107	49,341	54,974	-0.9%	-0.3%	-0.8%
EBIT	16,451	18,808	21,665	17,125	18,547	21,591	-3.9%	1.4%	0.3%
Net profit att.	12,886	13,773	16,020	12,292	13,482	15,835	4.8%	2.2%	1.2%
Diluted EPS (RMB)	4.601	4.918	5.720	4.389	4.814	5.654	4.8%	2.2%	1.2%
Gross margin	62.9%	63.1%	63.3%	62.7%	63.0%	63.1%	0.2ppt	0.1ppt	0.2ppt
EBIT margin	23.7%	24.1%	25.1%	24.4%	23.7%	24.8%	-0.7ppt	0.5ppt	0.4ppt
Net profit att. margin	18.5%	17.7%	18.6%	17.5%	17.2%	18.2%	1.1ppt	0.5ppt	0.4ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	69,483	77,930	86,144	70,176	78,354	87,045	-1.0%	-0.5%	-1.0%
Gross profit	43,694	49,191	54,558	44,265	49,861	55,676	-1.3%	-1.3%	-2.0%
EBIT	16,451	18,808	21,665	16,859	19,085	21,570	-2.4%	-1.5%	0.4%
Net profit att.	12,886	13,773	16,020	13,408	14,235	16,151	-3.9%	-3.3%	-0.8%
Diluted EPS (RMB)	4.601	4.918	5.720	4.714	4.992	5.663	-2.4%	-1.5%	1.0%
Gross margin	62.9%	63.1%	63.3%	63.1%	63.6%	64.0%	-0.2ppt	-0.5ppt	-0.6ppt
EBIT margin	23.7%	24.1%	25.1%	24.0%	24.4%	24.8%	-0.3ppt	-0.2ppt	0.4ppt
Net profit att. margin	18.5%	17.7%	18.6%	19.1%	18.2%	18.6%	-0.6ppt	-0.5ppt	0ppt

Source: Bloomberg, CMBIGM estimates

Operating numbers

Figure 3: Sportswear brands sales growth trend

Operating numbers	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Nike China sales	42%	9%	1%	-24%	-8%	-20%	-13%	6%	1%	25%	12%	8%	6%	7%	-3%	-5%
Adidas China sales	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	8%	9%	11%	13%
Anta brand's SSSG																
Anta brand's retail sales	40%-45%	35%-40%	+ve Low-teens	+ve Mid-teens	+ve High-teens	-ve MSD	+ve MSD	-ve HSD	+ve MSD	+ve HSD	+ve HSD	+ve High-teens	+ve MSD	+ve HSD	+ve MSD	16%
Core brand	35%-40%	35%-40%	+ve HSD	+ve MSD	+ve Mid-teens	-ve Low-teens	+ve LSD	-ve Mid-teens	+ve HSD	+ve HSD	+ve HSD	25%-30%	+ve LSD	+ve LSD	-ve LSD	
Kids	45%-50%	Over 20%	+ve MSD	+ve Mid-teens	20%-25%	+ve LSD	+ve HSD	-ve High-teens	+ve MSD	+ve HSD	+ve HSD	30%-35%	Flat	-ve LSD	-ve HSD	
Online	Over 60%	Over 45%	25%-30%	30%-35%	Over 30%	+ve HSD	+ve HSD	+ve MSD	-ve LSD	+ve MSD	+ve LSD	+ve MSD	20%-25%	20%-25%	20%-25%	
FILA brand's retail sales																
FILA brand's retail sales	75%-80%	30%-35%	+ve MSD	+ve HSD	+ve MSD	-ve HSD	+ve Low-teens	-ve Low-teens	+ve HSD	+ve High-teens	+ve Low-teens	25%-30%	+ve HSD	+ve MSD	-ve LSD	10%
Classic/ Core brand	80%	Over 20%	Flat	Flat	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens	+ve LSD	+ve MSD	+ve HSD	40%-45%	+ve MSD	+ve HSD	-ve MSD	
Kids	100%	Over 40%	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve HSD	+ve LSD	-ve Low-teens	-ve HSD	+ve LSD	+ve HSD	30%-35%	-ve LSD	-ve LSD	-ve Low-teens	
Fusion	150%	Over 80%	+ve Mid-teens	+ve Mid-teens	Over 20%	-ve MSD	+ve LSD	+ve HSD	-ve HSD	+ve LSD	+ve HSD	20%-25%	-ve MSD	+ve MSD	-ve HSD	
Online	Over 40%	Over 40%	20%-25%	25%-30%	Over 20%	+ve MSD	Over 65%	Over 40%	Over 40%	60%-65%	-ve Mid-teens	+ve Mid-teens	20%	20%	+ve HSD	
Other brands																
Other brands	115%-120%	70%-75%	35%-40%	30%-35%	40%-45%	20%-25%	40%-45%	+ve Low-teens	75%-80%	70%-75%	45%-50%	55%-60%	25%-30%	40%-45%	45%-50%	30%
Descente	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	+ve Low-teens	70%-75%	60%-65%	40%-45%	50%-55%	20-25%	35%-40%	35%-40%	
Kolon	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%	Over 55%	+ve High-teens	100%	100%	60%-65%	65%-70%	50%	60%	65%-70%	
Li Ning group's SSSG																
Li Ning group's SSSG	n/a	+ve Low 80%	+ve High 20%	+ve Low 20%	+ve Low 20%	-ve Low-teens	+ve HSD	-ve High-teens	-ve HSD	+ve LSD	-ve MSD	+ve Low-teens	-ve MSD	-ve HSD		
Direct retail	n/a	+ve Low 90%	+ve Low 30%	+ve Mid 20%	+ve Mid 20%	-ve High-teens	+ve MSD	-ve High 20%	-ve LSD	+ve HSD	+ve MSD	+ve High 30%	-ve LSD	-ve MSD		
Wholesales	n/a	+ve Low 70%	+ve Mid 20%	+ve High-teens	+ve Low-teens	-ve High-teens	+ve HSD	-ve Low 20%	-ve LSD	+ve LSD	-ve Low-teens	+ve MSD	-ve Mid-teens	-ve High-teens		
E- Commerce	n/a	+ve High 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	+ve LSD	+ve Low-teens	-ve LSD	-ve Low 20%	+ve LSD	-ve LSD	+ve MSD	+ve Low 20%	+ve Low-teens		
Li Ning group's retail sales																
Li Ning group's retail sales	+ve High 80%	+ve Low 90%	+ve Low 40%	+ve Low 30%	+ve High 20%	-ve HSD	+ve Mid-teens	-ve Low-teens	+ve MSD	+ve Mid-teens	+ve MSD	+ve Low 20%	+ve LSD	-ve LSD	-3%	7%
Direct retail	+ve Low 90%	+ve High 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	-ve HSD	+ve Low 20%	-ve Mid-teens	+ve Mid-teens	+ve High 20%	+ve Low 20%	+ve Low 50%	+ve MSD	Flat		
Wholesales	+ve Low 80%	+ve Low 90%	+ve High 30%	+ve High 20%	+ve Low 20%	-ve HSD	+ve Low-teens	-ve Low 20%	+ve MSD	+ve Mid-teens	+ve LSD	+ve High-teens	-ve MSD	-ve HSD		
E- Commerce	100%	+ve High 90%	+ve Mid 50%	+ve Low 40%	+ve Mid 30%	+ve MSD	+ve Mid 20%	+ve MSD	-ve Low-teens	+ve Low-teens	-ve LSD	+ve MSD	+ve Low 20%	+ve HSD		
Xtep brand's SSSG																
Xtep brand's retail sales	Mid 50%-60%	30%-35%	+ve Mid-teens	20%-25%	30%-35%	+ve Mid-teens	20%-25%	-ve HSD	20%	+ve High-teens	+ve High-teens	30%-35%	+ve HSD	10%	9%	9%
361 Degree brand's SSSG																
361 Degree brand's offline	+ve High-teens	15%-20%	+ve Low-teens	+ve High-teens	+ve High-teens	+ve Low-teens	+ve Mid-teens	Flat	+ve Low-teens	+ve Low-teens	15.0%	20.0%	+ve High-teens	10.0%	13%	14%
Kids	20%-25%	30%-35%	15%-20%	25%-30%	20%-25%	20%-25%	20%-25%	+ve LSD	20%-25%	20%-25%	25%-30%	40%	20%-25%	+ve Mid-teens		
E- Commerce				35%-40%	50%	40%	45%	25%	35%	30%	30%	Over 30%	20%-25%	30%-35%		
Pou Sheng's SSSG																
Pou Sheng's SSSG	32%	-11%	-25%	-29%	-21%	-25%	-10%	-27%	0%	13%	-3%	12%	-17%			
Pou Sheng's sales	48%	-15%	-25%	-27%	-25%	-24%	-8%	-20%	7%	17%	-1%	9%	-7%	-11%	-7%	-4%
Topsports' retail sales																
Topsports' retail sales			-ve 20%-25%	-ve High-teens	-ve High 20%	-ve LSD	-ve High-teens	-ve Low-teens	+ve Low 20%	-ve LSD	+ve Low-teens	+ve LSD	-ve MSD	-7%	-7%	
Dong Xiang's SSSG	+ve HSD	+ve Mid to High SD	-ve High-teens	-ve Mid to High-teens	-ve MSD	-ve Low to Mid SD	-ve Low to Mid SD	-ve Mid-teens	+ve Low to Mid-teens	+ve Low to Mid-teens	+ve Low to Mid SD	25% to 30%	-ve HSD	-ve MSD		
Dong Xiang's retail sales	60%-70%	+ve Low to Mid-teens	-ve Mid to High-teens	-ve Mid-teens	-ve MSD	-ve Mid to High-teens	+ve LSD	-ve Mid 20% to 30%	+ve Low to Mid-teens	+ve Mid-teens	+ve MSD	Mid 40% to 50%	-ve Low 10% to 20%	-ve LSD to MSD		
Direct retail	70%-75%															
E- Commerce	35%-40%															

Source: Company data, CMBIGM estimates, *Nike's year end is in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

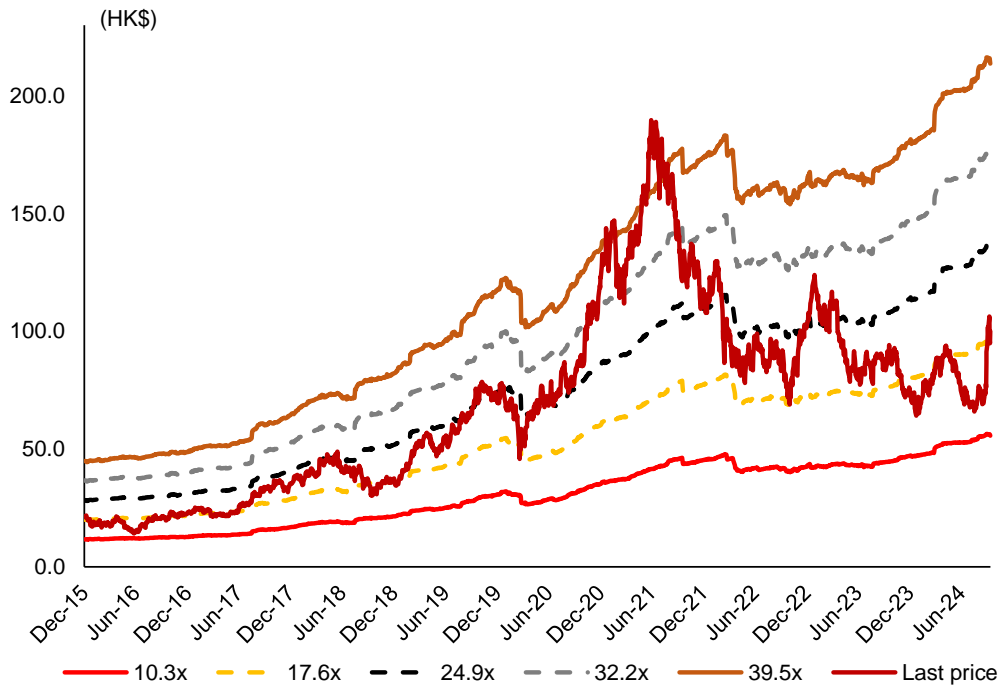
Valuation

Figure 4: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf.	
								FY1E	FY2E	FY2E	FY0	FY1E	FY1E	FY1E	
H share Sportswear															
Anta Sports	2020 HK	BUY	126.68	100.10	27%	283,206	Dec-23	19.4	18.2	3.7	24.9	1.2	2.6	32.1	
Li Ning Co	2331 HK	BUY	16.18	18.04	-10%	46,624	Dec-23	13.5	12.1	1.5	11.8	2.0	3.5	(12.8)	
Xtep Intl	1368 HK	BUY	7.32	6.21	18%	16,422	Dec-23	12.0	10.7	1.4	12.3	0.9	4.2	54.8	
361 Degrees Intl	1361 HK	BUY	5.15	4.41	17%	9,118	Dec-23	7.4	6.4	0.7	11.5	0.6	5.5	27.1	
Topsports Intl	6110 HK	BUY	2.89	3.13	-8%	19,410	Feb-24	9.7	8.9	1.7	22.5	173.4	8.6	(46.2)	
Pou Sheng Intl	3813 HK	NR	n/a	0.58	n/a	3,089	Dec-23	4.9	4.3	0.3	6.0	0.3	11.2	(11.5)	
China DX	3818 HK	NR	n/a	0.38	n/a	2,208	Mar-24	n/a	21.3	0.2	(6.8)	0.0	5.9	34.2	
								Avg.	11.1	11.7	1.4	11.7	25.5	5.9	11.1
								Med.	10.8	10.7	1.4	11.8	0.9	5.5	27.1
International Sportswear															
Nike	NKE US	NR	n/a	82.15	n/a	950,274	May-24	29.2	25.1	9.3	38.0	(30.2)	1.8	(24.3)	
Adidas	ADS GY	NR	n/a	233.60	n/a	357,647	Dec-23	65.9	31.5	6.9	4.9	(0.2)	0.5	26.8	
Puma	PUM GY	NR	n/a	36.20	n/a	46,440	Dec-23	17.1	13.0	1.8	10.2	1.0	2.2	(28.3)	
Under Armour	UAA US	NR	n/a	8.31	n/a	27,420	Mar-24	35.8	23.4	1.8	(4.4)	(13.3)	0.0	(5.5)	
Lululemon	LULU US	NR	n/a	278.25	n/a	265,483	Jan-24	19.9	18.6	5.6	43.2	2.0	0.0	(45.6)	
Skechers	AS US	NR	n/a	19.56	n/a	76,801	Dec-23	48.1	28.4	2.1	n/a	(0.2)	0.0	n/a	
On Holding	SKX US	NR	n/a	67.56	n/a	80,153	Dec-23	16.2	13.6	1.8	14.4	0.9	0.0	8.4	
Deckers	ONON US	NR	n/a	50.00	n/a	123,859	Dec-23	56.7	50.6	8.1	13.7	1.0	n/a	85.4	
Vf Corp	DECK US	NR	n/a	161.25	n/a	191,055	Mar-24	30.5	27.0	9.0	41.9	2.8	0.0	44.7	
Columbia	VFC US	NR	n/a	20.33	n/a	61,487	Mar-24	37.5	21.2	3.2	(57.0)	(0.2)	1.7	8.1	
Wolverine	COLM US	NR	n/a	80.13	n/a	36,461	Dec-23	20.8	18.3	2.1	12.3	4.1	1.5	0.7	
Mizuno Corp	WWW US	NR	n/a	16.52	n/a	10,272	Dec-23	19.7	13.0	3.6	(27.2)	(0.1)	2.6	85.8	
Asics Corp	8022 JP	NR	n/a	8380.00	n/a	11,617	Mar-24	13.7	12.9	1.3	10.7	1.5	1.5	113.2	
	7936 JP	NR	n/a	2803.00	n/a	111,032	Dec-23	32.2	28.3	8.4	22.9	1.1	0.8	153.8	
								Avg.	31.7	23.2	4.6	9.5	(2.1)	1.0	32.6

Source: Bloomberg, CMBIGM estimates

Figure 5: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	49,328	53,651	62,356	69,483	77,930	86,144
Cost of goods sold	(18,924)	(21,333)	(23,328)	(25,789)	(28,739)	(31,586)
Gross profit	30,404	32,318	39,028	43,694	49,191	54,558
Operating expenses	(20,681)	(23,216)	(25,366)	(29,411)	(32,487)	(35,219)
Selling expense	(17,753)	(19,629)	(21,673)	(25,228)	(27,957)	(30,362)
Admin expense	(1,812)	(2,308)	(2,079)	(2,386)	(2,525)	(2,652)
R&D expense	(1,116)	(1,279)	(1,614)	(1,797)	(2,005)	(2,205)
Others	0	0	0	0	0	0
Operating profit	11,372	11,229	15,409	16,451	18,808	21,665
Other income	1,649	2,127	1,747	2,168	2,104	2,326
Share of (losses)/profits of associates/JV	(81)	28	(718)	1,807	468	603
EBITDA	11,944	12,212	16,415	17,040	19,280	22,017
Depreciation	(443)	(860)	(1,018)	(341)	(325)	(311)
Other amortisation	(129)	(123)	12	(248)	(147)	(41)
Interest income	392	609	1,470	1,604	1,907	2,261
Interest expense	(443)	(511)	(521)	(674)	(674)	(674)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	11,240	11,355	15,640	19,188	20,508	23,855
Income tax	(3,021)	(3,110)	(4,363)	(4,989)	(5,332)	(6,202)
Minority interest	(499)	(655)	(1,043)	(1,313)	(1,404)	(1,633)
Net profit	8,219	8,245	11,277	14,199	15,176	17,653
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	39,902	42,596	52,140	60,329	70,437	81,637
Cash & equivalents	17,592	17,378	15,228	22,070	30,359	39,796
Account receivables	6,914	5,800	6,867	7,652	8,582	9,487
Inventories	7,644	8,490	7,210	7,772	8,661	9,519
Prepayment	0	0	0	0	0	0
ST bank deposits	6,989	10,310	21,453	21,453	21,453	21,453
Other current assets	763	618	1,382	1,382	1,382	1,382
Non-current assets	22,766	26,599	40,088	42,139	43,069	44,354
PP&E	2,853	3,716	4,143	4,636	5,245	5,968
Investment in JVs & assos	9,027	9,343	21,119	22,926	23,393	23,996
Intangibles	1,531	1,480	2,089	1,859	1,731	1,708
Other non-current assets	9,355	12,060	12,737	12,718	12,700	12,681
Total assets	62,668	69,195	92,228	102,468	113,506	125,991
Current liabilities	15,943	26,207	20,591	21,824	23,291	24,714
Short-term borrowings	1,748	12,198	3,996	3,996	3,996	3,996
Account payables	3,146	2,750	3,195	3,532	3,936	4,326
Tax payable	1,816	2,169	2,825	2,825	2,825	2,825
Other current liabilities	9,233	9,090	10,575	11,471	12,534	13,567
Non-current liabilities	15,062	5,149	15,627	15,627	15,627	15,627
Long-term borrowings	11,425	492	10,948	10,948	10,948	10,948
Other non-current liabilities	3,637	4,657	4,679	4,679	4,679	4,679
Total liabilities	31,005	31,356	36,218	37,451	38,918	40,341
Share capital	261	262	272	272	272	272
Retained earnings	22,663	26,963	32,909	37,579	45,181	54,025
Other reserves	5,999	7,175	18,279	21,303	21,869	22,453
Total shareholders equity	28,923	34,400	51,460	59,154	67,321	76,751
Minority interest	2,740	3,439	4,550	5,863	7,267	8,900
Total equity and liabilities	62,668	69,195	92,228	102,468	113,506	125,991

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	11,240	11,355	15,640	19,188	20,508	23,855
Depreciation & amortization	572	983	1,006	590	472	352
Tax paid	(2,677)	(3,046)	(3,584)	(4,989)	(5,332)	(6,202)
Change in working capital	(282)	(1,104)	1,739	(114)	(353)	(340)
Others	3,008	3,959	4,833	(1,133)	206	71
Net cash from operations	11,861	12,147	19,634	13,542	15,502	17,736
Investing						
Capital expenditure	(1,360)	(1,621)	(1,161)	(834)	(935)	(1,034)
Acquisition of subsidiaries/ investments	(94)	(115)	(160)	0	0	0
Others	(3,215)	(3,038)	(24,472)	0	0	0
Net cash from investing	(4,669)	(4,774)	(25,793)	(834)	(935)	(1,034)
Financing						
Dividend paid	(2,456)	(3,950)	(4,250)	(5,192)	(5,605)	(6,591)
Net borrowings	(196)	(1,403)	(558)	0	0	0
Proceeds from share issues	0	0	10,497	0	0	0
Share repurchases	0	0	(113)	0	0	0
Others	(2,295)	(2,488)	(2,105)	(674)	(674)	(674)
Net cash from financing	(4,947)	(7,841)	3,471	(5,866)	(6,279)	(7,265)
Net change in cash						
Cash at the beginning of the year	15,323	17,592	17,378	15,228	22,070	30,359
Exchange difference	24	254	538	0	0	0
Others	2,245	(468)	(2,688)	6,842	8,288	9,437
Cash at the end of the year	17,592	17,378	15,228	22,070	30,359	39,796
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	38.9%	8.8%	16.2%	11.4%	12.2%	10.5%
Gross profit	47.2%	6.3%	20.8%	12.0%	12.6%	10.9%
Operating profit	28.8%	(1.3%)	37.2%	6.8%	14.3%	15.2%
EBITDA	28.2%	2.2%	34.4%	3.8%	13.1%	14.2%
Net profit	47.6%	0.3%	36.8%	25.9%	6.9%	16.3%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	61.6%	60.2%	62.6%	62.9%	63.1%	63.3%
Operating margin	23.1%	20.9%	24.7%	23.7%	24.1%	25.1%
EBITDA margin	24.2%	22.8%	26.3%	24.5%	24.7%	25.6%
Return on equity (ROE)	31.1%	26.0%	26.3%	25.7%	24.0%	24.5%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.4	0.4	0.4	0.5	0.5	0.6
Current ratio (x)	2.5	1.6	2.5	2.8	3.0	3.3
Receivable turnover days	51.2	39.5	40.2	40.2	40.2	40.2
Inventory turnover days	147.4	145.3	112.8	110.0	110.0	110.0
Payable turnover days	60.7	47.1	50.0	50.0	50.0	50.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	32.9	33.5	24.9	19.8	18.5	15.9
P/E (diluted)	32.9	33.5	24.9	19.8	18.5	15.9
P/B	8.5	7.2	4.8	4.2	3.7	3.2
P/CFPS	21.4	21.0	13.0	18.8	16.4	14.4
Div yield (%)	1.5	1.3	2.1	2.1	2.5	2.9
EV	259,222.2	255,630.2	248,927.8	242,085.3	233,797.1	224,359.8
EV/Sales	5.3	4.8	4.0	3.5	3.0	2.6
EV/EBITDA	21.7	20.9	15.2	14.2	12.1	10.2

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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